



**ROCKY MOUNTAIN
POWER**
A DIVISION OF PACIFICORP

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IDAHO PUBLIC
UTILITIES COMMISSION

201 South Main, Suite 2300
Salt Lake City, Utah 84111

March 26, 2014

**VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY**

Jean D. Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

**Re: CASE NO. PAC-E-14-01
IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR
AUTHORITY TO DECREASE RATES BY \$2.8 MILLION TO RECOVER DEFERRED
NET POWER COSTS THROUGH THE ENERGY COST ADJUSTMENT MECHANISM**

Dear Ms. Jewell:

Please find for electronic filing Rocky Mountain Power's reply comments in the above referenced matter. The Company has also shipped for overnight delivery an original and nine copies of its reply comments, a CD containing the reply comments, and a Confidential CD containing the Confidential workpapers. Confidential information will be provided subject to the protective order in this case.

The Company is also providing revised tariff sheets based on Staff's rate design proposal ready for Commission approval.

Informal inquiries may be directed to Ted Weston, Idaho Regulatory Manager at (801) 220-2963.

Very truly yours,

Jeffrey K. Larsen
Vice President, Regulation & Government Affairs

Enclosures

CC: Case No. PAC-E-14-01 Service List

CERTIFICATE OF SERVICE

I hereby certify that on this 26th of March, 2014, I caused to be served, via e-mail and overnight delivery, a true and correct copy of the foregoing document in PAC-E-14-01 to the following:

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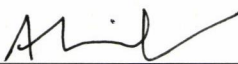
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Attorney for Rocky Mountain Power

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE)	
APPLICATION OF ROCKY MOUNTAIN)	CASE NO. PAC-E-14-01
POWER FOR AUTHORITY TO)	
DECREASE RATES BY \$2.8 MILLION)	
TO RECOVER DEFERRED NET POWER)	REPLY COMMENTS OF
COSTS THROUGH THE ENERGY COST)	ROCKY MOUNTAIN POWER
ADJUSTMENT MECHANISM)	
)	
)	

COMES NOW PacifiCorp, dba Rocky Mountain Power ("RMP" or the "Company"), pursuant to Rules 56 and 256 of the Rules of Procedure of the Idaho Public Utility Commission (the "Commission"), and hereby responds to Monsanto's Comments and Staff Comments (both defined below) in the above referenced case.

BACKGROUND

On January 31, 2014, the Company filed an application ("Application") for authority to reduce Electric Service Schedule No. 94, Energy Cost Adjustment rates by \$2.8 million, establishing the Energy Cost Adjustment Mechanism ("ECAM") rate for all customer classes including Monsanto Company ("Monsanto") and Agrium, Inc. ("Agrium") based on the deferral period beginning December 1, 2012 through November 30, 2013 ("Deferral Period").

The Application requested Commission approval to add approximately \$12.8 million to the ECAM balancing accounts for the Deferral Period, resulting in a total balance of \$24.3 million as of November 30, 2013. The Company proposed to adjust Electric Service Schedule 94, Energy Cost Adjustment, to collect approximately \$13.2 million over the period beginning April 1, 2014 through March 31, 2015, representing a decrease of \$2.8 million over the current Schedule 94 rate.

On January 28, 2014, Monsanto filed a Petition to Intervene, which was approved by the Commission February 7, 2014. On February 20, 2014, the Commission issued a Notice of Application, Notice of Modified Procedure and Notice of Intervention Deadline and established a procedural schedule with a comment deadline of March 20, 2014.

On March 19, 2014, Monsanto filed its Comments of Monsanto Company (“Comments”) with the Commission, focusing on the following four issues:

- 1) Reporting of Monsanto’s actual energy usage,
- 2) A July 2013 bill correction to Monsanto’s replacement energy,
- 3) Reporting of Monsanto’s ECAM rider revenues, and
- 4) REC revenues.

On March 20, 2014, staff of the Idaho Public Utilities Commission (“Staff”) also filed its Comments of the Commission Staff (“Staff Comments”). Staff proposed (1) a correction to the wholesale loss adjustment, and (2) a base rate adjustment method, or back cast, designed to check the deferral amounts. Relying on the back cast, Staff recommended four adjustments to the \$12.8 million ECAM deferral balance in the following categories:

- 1) NPC deferral,
- 2) Load Change Adjustment Deferral,
- 3) Class 1 DSM costs,
- 4) REC Revenue Deferral.

Table 1 begins with the Company's requested amount from the Application, line 1, and summarizes each of the adjustments proposed by the Parties and accepted by the Company, with two additional corrections to Staff's adjustments proposed by the Company, and the impact to each customer group's ECAM deferral as explained below.

REPLY COMMENTS - TABLE 1				
Summary of Deferral by Customer Group				
	Tariff Customers	Monsanto	Agrium	Total
1 Company Deferral by Customer Group	\$ 7,234,690	\$ 5,156,080	\$ 419,011	\$ 12,809,781
2 Adjustments:				
3 Monsanto and Agrium Actual Load	13,198	(11,320)	(1,878)	0
4 Monsanto Replacement Energy - July 2013	(499)	(258)	(10)	(766)
5				
6 Deferral Accepting Monsanto's Adj.	\$ 7,247,389	\$ 5,144,502	\$ 417,124	\$ 12,809,014
7				
8 Wholesale Loss Adjustment (WLA)	(135,327)	124,821	9,901	(606)
9 NPC Deferral	(374,192)	(250,461)	(19,807)	(644,459)
10 LCA Deferral	(156,292)	(104,612)	(8,273)	(269,177)
11 Class 1 DSM Cost Deferral	(32,218)	(21,565)	(1,705)	(55,488)
12 REC Revenue Deferral	223,487	149,588	11,830	384,905
13				
14 Deferral Accepting Staff's Adj.	\$ 6,772,847	\$ 5,042,273	\$ 409,069	\$ 12,224,189
15				
16 Net Billed Energy for Write-Offs	\$ 121,595	\$ -	\$ -	121,595
17 Add Back ECAM Deferral Write-Off	\$ 53,256	\$ -	\$ -	53,256
18				
19 Deferral with Company Corrections	\$ 6,947,698	\$ 5,042,273	\$ 409,069	\$ 12,399,040
20				
21 Net Impact to Deferral Balances	\$ (286,991)	\$ (113,807)	\$ (9,942)	\$ (410,740)

ARGUMENT

The Company conditionally accepts some of the proposed adjustments recommended by Monsanto and by Staff, as explained below.

Monsanto Comments

With respect to Monsanto's actual energy usage, the Company concedes that November 2012 actual energy usage was mistakenly reported in December 2012 and that each of the succeeding months lagged by one month. The correction reduces Monsanto's actual energy usage during the Deferral Period and reduces Monsanto's ECAM deferral balance by \$11,320. While reviewing actual loads, the Company determined that Agrium's load also lagged by one month. This correction reduced Agrium's actual energy used as well as its deferral balance by \$1,878. These corrections (1) shift the usage to the remaining customers, increasing their load by the exact amount and (2) increase their deferral balance by \$13,198, with no net impact to the total ECAM deferral balance.

With respect to Monsanto's replacement energy, the Company concedes that the July 2013 replacement energy should be 9,649 megawatt-hours from the revised bill not the 9,447 megawatt-hours included in Exhibit No. 1 to Mr. Brian Dickman's direct testimony. In addition to removing the 202 megawatt-hours of incremental replacement energy, the Company also adjusted NPC to remove the \$10,191 of incremental NPC associated with Monsanto's buy-through for replacement energy. This correction reduces (1) Monsanto's share of the ECAM deferral balance by \$258, (2) Agrium's share by \$10 and (3) the remaining tariff customers' share by \$499, for a total reduction of \$766 to the Total ECAM deferral balance.

The argument that the ECAM revenues paid by Monsanto are off by one month is simply wrong. Monsanto's account should not be credited for the ECAM charges in the month billed rather than when paid, as set forth in Monsanto's Comments, Attachment A.

In December 2012, Monsanto was billed \$218,071 as part of the ECAM rate. The Company reduced Monsanto's ECAM balance by \$218,071 in January 2013, the month the revenues were received, not the month they were billed. Crediting Monsanto's ECAM balance in the month billed reduces Monsanto's ECAM balance before they have actual made any payment.

As to Monsanto's assertion that the Company's filing is void of any detail supporting REC sales, Mr. Dickman's work papers filed as part of his direct testimony contain the total Company and Idaho actual monthly REC sales in an excel file titled, "Exhibit 1 – ID ECAM (Dec 12-Nov13) CONFIDENTIAL Workpaper.xlsx, in the tab titled "ID Actual REC". This file provides the detail to support the Company's request with respect to REC sales. The Company notes that Monsanto had and took the opportunity to request additional information on REC sales in the form of data requests from the Company. In those responses, the Company explained that it proactively seeks to sell RECs in the market by issuing requests for proposals and by having bilateral discussions with market participants as opportunities arise. The Company indicated that it issues reverse requests for proposals on a *minimum* rolling quarterly basis. And that the broker market currently is illiquid and predominantly indicative (meaning there is no firm interest).

Finally, Monsanto's attempt to discredit the Company by citing an order from the Public Service Commission of Utah to support its statement that "RMP had to assume some critical threshold value of RECs in order for the resources to be cost justified" is flawed. That argument was used by a witness in the Utah case and coincidentally rejected by the Utah Commission. The Company notes that these renewable generation

resources have already been included in the Company's general rate cases in Idaho for proper prudence determination. The ECAM is not the appropriate proceeding to address these types of issues.

RMP Reply Comments - Staff

Preliminarily, Staff's adjustments are based on the premise that the ECAM is an energy cost tracker that "guarantee[s] recovery to a small subset of costs"¹ by allowing the Company to track and collect the exact amount of NPC incurred to serve customers. The Company has worked with Staff to prepare the back cast Staff utilized for its adjustments and does not oppose Staff's use of the approach conceptually. However if the intent is to collect the exact amount of expense incurred to serve customers, Staff's adjustments fall short of being accurate in the following areas:

- 1) Staff's reliance on all billed kilowatt-hours during the Deferral Period for its back cast analysis does not properly adjust for kilowatt-hours that are not collected as a result of bad debt write-offs. Using all billed kilowatt-hours does not allow the Company the ability to fully recover NPC. The back cast should take into account bad debt write-offs of NPC to get the most accurate accounting and provide the opportunity for full cost recovery.
- 2) All ECAM deferred balances written-off as part of bad debt expense should be added back into the balancing account for recovery from remaining customers.

If it is not the intent of the ECAM to "guarantee recovery" of NPC, as noted in Staff Comments, the Company's position is that the four back cast adjustments proposed by Staff are not appropriate and should not be made. The Company's Reply Comments not opposing the use of the back cast approach are based on the assumption that the ECAM indeed guarantees recovery of all NPC-related expenses.

¹ Page 9 paragraph 1 of Staff Comments in Case No. PAC-E-14-01.

Incremental Kilowatt-hour Write-offs

Staff's adjustment based on gross kilowatt-hours billed during the Deferral Period overstates NPC recovery by the incremental megawatt-hours associated with bad debt and the write-off of ECAM deferrals.

Incremental bad debt is the net difference between the bad debt expense included in base rates and the actual bad debt expense from the Deferral Period. The base loads and bad debt expense for the Deferral Period are from Case No. PAC-E-10-07.² That case included \$471,222 of Idaho bad debt expense, which is equivalent to approximately 5,868 megawatt-hours of energy. During the Deferral Period, the Company wrote-off \$796,632 or 10,369 megawatt-hours. The incremental write-off of \$325,410 is equivalent to 4,501 incremental megawatt-hours. All of Staff's back cast adjustments overstate the Company's actual collection of NPC by the 4,501 incremental megawatt-hours. Reducing the megawatt-hours in the four categories by the 4,501 incremental megawatt-hours written-off reduces the back cast adjustment by \$121,595.

The \$121,595 are NPC-related expenses tracked in the ECAM that the Company incurred during the Deferral Period to serve Idaho retail customers that were not recovered.

Bad Debt Write-Offs

Given the ECAM was designed to be symmetrical, and assuming the ECAM guarantees collection of actual NPC incurred to serve customers, it is reasonable that any ECAM deferral balance not recovered due to bad debt write-offs be added back into the balancing account to be collected from the remaining customers, rather than be written-off.

² Paragraph 5, Stipulation CASE No. PAC-E-11-12.

The bad debt expense included in customers' rates is from calendar year 2009.³ Collection of the ECAM deferral balance began April 1, 2010 and, therefore, no deferred ECAM revenues are included in the bad debt expense in customer rates. During the 2013 ECAM deferral period, \$53,256 of the tariff customers' Commission-approved⁴ 2012 ECAM balance was written off as bad debt expense. If the Company is guaranteed recovery of its NPC, the \$53,256 and any future ECAM balance amounts that are written off should be transferred back into the balancing account for recovery.

The Company agrees with Staff that the guarantee applies to a small subset of costs, such as NPC-related items. The Company's suggested corrections to the Staff Comments only relate to the ECAM calculation and deferred balances. The Company proposes that the \$53,256 of tariff customers' ECAM deferred balance, written-off as bad debt expense during the Deferral Period, be added back into the tariff customers ECAM balancing account.

To assure no double counting of megawatt-hours or dollars, the Company excluded the dollar amount of ECAM write-offs when it prepared the incremental megawatt-hours calculation and verified that no ECAM deferral write-offs were included in customers' rates during the base period. If the Commission were to approve this adjustment, the Company would transfer the ECAM-related revenues written-off to the ECAM deferred balance rather than expense them when the Company prepares its monthly write-off.

³ Case No. PAC-E-10-07.

⁴ 2012 ECAM Deferral, Case No. PAC-E-13-03.

Proposed Rates

If the Commission agrees that the intent of the ECAM is to “guarantee” recovery of NPC, and accepts Staff’s adjustments or some combination of Staff’s, Monsanto’s and the Company’s adjustments, the Company would support Staff’s proposed rate design for Electric Service Schedule No. 94 – Energy Cost Adjustment rates. Since the rates only impact the timing of the recovery of the balancing account dollars, the Company is not opposed to implementing Staff’s proposed rates. The Company is providing revised tariff sheets consistent with Staff’s proposed rates along with its Reply Comments for Commission approval.

CONCLUSION

The Company expresses appreciation to the Parties and their cooperative approach to reviewing the Application. The Company intends to continue to provide quarterly ECAM reports to assist Parties’ timely review of its annual ECAM filings. The Company is not opposed to Staff’s back cast approach, as long as it is completely symmetrical and with the following corrections: (1) the Idaho actual energy should be net of incremental write-offs, and (2) all ECAM deferred balances included in bad debt write-offs should be transferred back into the balancing account for future recovery rather than expensed.

The Company respectfully requests Commission approval of the revised ECAM deferral balance of \$12,399,041, representing a \$410,740 reduction to the requested amount in the Application, effective April 1, 2014.

DATED this 26th day of March, 2014.

Yvonne R. Hogle /cm
Yvonne R. Hogle

Attorney for
Rocky Mountain Power

ROCKY MOUNTAIN POWER
ELECTRIC SERVICE SCHEDULE NO. 94

STATE OF IDAHO

Energy Cost Adjustment

AVAILABILITY: At any point on the Company's interconnected system.

APPLICATION: This Schedule shall be applicable to all retail tariff Customers taking service under the Company's electric service schedules.

ENERGY COST ADJUSTMENT: The Energy Cost Adjustment is calculated to collect the accumulated difference between total Company Base Net Power Cost and total Company Actual Net Power Cost calculated on a cents per kWh basis.

MONTHLY BILL: In addition to the Monthly Charges contained in the Customer's applicable schedule, all monthly bills shall have applied the following cents per kilowatt-hour rate by delivery voltage.

		Delivery Voltage		
		<u>Secondary</u>	<u>Primary</u>	<u>Transmission</u>
Schedule	1	0.324¢ per kWh		
Schedule	6	0.324¢ per kWh	0.313¢ per kWh	
Schedule	6A	0.324¢ per kWh	0.313¢ per kWh	
Schedule	7	0.324¢ per kWh		
Schedule	7A	0.324¢ per kWh		
Schedule	9			0.304¢ per kWh
Schedule	10	0.324¢ per kWh		
Schedule	11	0.324¢ per kWh		
Schedule	12	0.324¢ per kWh		
Schedule	19	0.324¢ per kWh		
Schedule	23	0.324¢ per kWh	0.313¢ per kWh	
Schedule	23A	0.324¢ per kWh	0.313¢ per kWh	
Schedule	24	0.324¢ per kWh	0.313¢ per kWh	
Schedule	35	0.324¢ per kWh	0.313¢ per kWh	
Schedule	35A	0.324¢ per kWh	0.313¢ per kWh	
Schedule	36	0.324¢ per kWh		
Schedule	400			0.421¢ per kWh
Schedule	401			0.419¢ per kWh

Submitted Under Case No. PAC-E-14-01

ISSUED: March 26, 2014

EFFECTIVE: April 1, 2014

ROCKY MOUNTAIN POWER
ELECTRIC SERVICE SCHEDULE NO. 94

STATE OF IDAHO

Energy Cost Adjustment

AVAILABILITY: At any point on the Company's interconnected system.

APPLICATION: This Schedule shall be applicable to all retail tariff Customers taking service under the Company's electric service schedules.

ENERGY COST ADJUSTMENT: The Energy Cost Adjustment is calculated to collect the accumulated difference between total Company Base Net Power Cost and total Company Actual Net Power Cost calculated on a cents per kWh basis.

MONTHLY BILL: In addition to the Monthly Charges contained in the Customer's applicable schedule, all monthly bills shall have applied the following cents per kilowatt-hour rate by delivery voltage.

		Delivery Voltage		
		Secondary	Primary	Transmission
Schedule	1	0. 324569 ¢ per kWh		
Schedule	6	0. 324569 ¢ per kWh	0. 313550 ¢ per kWh	
Schedule	6A	0. 324569 ¢ per kWh	0. 313550 ¢ per kWh	
Schedule	7	0. 324569 ¢ per kWh		
Schedule	7A	0. 324569 ¢ per kWh		
Schedule	9			0. 304535 ¢ per kWh
Schedule	10	0. 324569 ¢ per kWh		
Schedule	11	0. 324569 ¢ per kWh		
Schedule	12	0. 324569 ¢ per kWh		
Schedule	19	0. 324569 ¢ per kWh		
Schedule	23	0. 324569 ¢ per kWh	0. 313550 ¢ per kWh	
Schedule	23A	0. 324569 ¢ per kWh	0. 313550 ¢ per kWh	
Schedule	24	0. 324569 ¢ per kWh	0. 313550 ¢ per kWh	
Schedule	35	0. 324569 ¢ per kWh	0. 313550 ¢ per kWh	
Schedule	35A	0. 324569 ¢ per kWh	0. 313550 ¢ per kWh	
Schedule	36	0. 324569 ¢ per kWh		
Schedule	400			0. 421324 ¢ per kWh
Schedule	401			0. 419301 ¢ per kWh

Submitted Under Case No. PAC-E-~~13-03~~14-01

ISSUED: March 2~~6~~8, 201~~4~~3

EFFECTIVE: April 1, 201~~4~~3